

ANNUAL REPORT 2017



GEOSCAN AND COALSCAN
Real Time Analysers for Cement, Coal and Minerals

SCANTECH 

www.scantech.com.au
ACN: 007 954 627

HIGHLIGHTS FOR 2017

	2017	2016	2015	2014	2013
REVENUE	\$12,955,004	\$13,116,472	\$13,255,461	\$11,713,563	\$17,723,583
CHANGE (%)	-1%	-1%	13%	-34%	15%
PROFIT / (LOSS) BEFORE TAX	\$132,699	\$23,385	\$1,242,948	(\$401,621)	\$4,440,987
CHANGE (%)	467%	-98%	409%	-109%	91%
PROFIT / (LOSS) AFTER TAX	\$144,381	\$135,065	970,736	(\$267,186)	\$3,116,667
CHANGE (%)	7%	-86%	463%	-109%	84%
SHAREHOLDERS FUNDS	\$11,232,843	\$11,778,815	\$13,299,124	\$12,328,388	\$12,592,074
CHANGE (%)	-5%	-11%	8%	-2%	23%
DEBT TO EQUITY RATIO	62%	59%	49%	53%	60%
CHANGE (%)	-3%	-10%	4%	7%	8%
EQUIPMENT ORDERS ON HAND AT PERIOD END	\$6,295,915	\$8,769,763	\$2,568,164	\$2,628,560	\$6,513,876
CHANGE (%)	-28%	241%	-2%	-60%	-15%
CASH & CURRENT FINANCIAL ASSETS	\$4,267,210	\$4,489,229	\$7,459,049	\$6,218,915	\$7,196,653
CHANGE (%)	-5%	-40%	20%	-14%	38%
NUMBER OF EMPLOYEES (FTE)	32	33	32	31	36
CHANGE (%)	-3%	3%	3%	-14%	6%

CORPORATE DIRECTORY

Directors

Peter Pedler LLB (Hons) (Adel) (Chairman)
 David Lindeberg B.Bus, FCA (Managing Director)
 Laurance Brett BSc, FIAA, FIA (London) (Non Executive Director)
 The Hon. Dean Brown AO M.Rur.Sc, Fellow Dip. Bus. Admin., FAICD (Non Executive Director)

Registered Office

143 Mooringe Avenue
 Camden Park, South Australia 5038
 Telephone: +61 8 8350 0200
 Facsimile: +61 8 8350 0188
 PO Box 64
 Unley, South Australia 5061

Company Secretary

Valerie Steer

Auditors

BDO Audit (SA) Pty Ltd

Principal Bankers

Bendigo Bank Limited

Solicitors

Duncan Basheer Hannon
 HWL Ebsworth

Share Registry

Link Market Services Limited
 Locked Bag A14
 Sydney South NSW 1235
 Level 1, 333 Collins Street
 Melbourne, VIC 3000
 Telephone: 1300 554 474
 Email: registrars@linkmarketservices.com.au
 Website: www.linkmarketservices.com.au

Incorporation

Scantech Limited was incorporated in the State of South Australia

Taxation

Scantech Limited is taxed as a public company

Head Office

143 Mooringe Avenue
 Camden Park, South Australia 5038
 Telephone: +61 8 8350 0200
 Facsimile: +61 8 8350 0188
 PO Box 64
 Unley, South Australia 5061

Marketing Office

Unit 14/2994 Logan Road
 Underwood, Queensland 4119
 PO Box 1485
 Springwood, Queensland 4127
 Telephone: +61 7 3710 8400
 Facsimile: +61 7 3710 8499

Email address

sales@scantech.com.au

Website

www.scantech.com.au

Scantech's Annual Report is posted on the Internet.

Notice of Meeting:

The Annual General Meeting of Scantech Limited will be held at:

Scantech Limited
 143 Mooringe Avenue
 Camden Park SA 5038
 On Thursday 26 October 2017 at 10.00 a.m.

COMPANY BACKGROUND

OUR CORE BUSINESS

Scantech is the world-leader in the design, manufacture and service of real-time measurement technologies for conveyed bulk materials. The Company has developed a broad range of industrial instrumentation utilising various measurement technologies. The application of our products is principally in the resource sector including cement, coal and minerals industries.

HISTORY

Founded as Mineral Control Instrumentation in 1981 by Dr Jim Howarth and Richard Kelly, Scantech has grown from a small private company based in Adelaide, South Australia to a successful public enterprise. The Company grew on the strength of its physics-based research, making it the world's leading company for on-line analysis, mainly through supply of the COALSCAN range of coal analysers.

GLOBAL INSTALLATIONS

Scantech has a large and diverse install base of on-line analysers, with more than 1,000 analysers installed in over 55 countries worldwide.

MISSION STATEMENT

Scantech is committed to providing:

- High quality products and exceptional service to customers.
- Company growth via acquisition of related businesses and application of new technologies.
- Maximum benefits to shareholders.
- A challenging, safe and rewarding environment for all employees.

AWARDS

Scantech has received a number of awards over the years including the following:

- Dr Jim Howarth along with other scientists won the prestigious Australia Prize in 1992. This award formally recognised the excellence of the COALSCAN range of analysers. The Prime Minister presented the award for scientific achievement to Dr Jim Howarth and colleagues for developing and commercialising instruments for the on-line analysis of minerals and coal.
- The Research and Development Magazine IR 100 Award for the On-Line Ash Measurement System.
- The Sir Ian McLennan Achievement for Industry Award won jointly with another research organisation to recognise the commercial development of the COALSCAN 4500.
- The Electronics Association of South Australian Gold Cup for excellence in commercialisation and engineering of the COALSCAN 9500 On-Line Elemental Analyser.
- The Powerhouse Museum in Sydney has recognised Scantech's COALSCAN as one of the most significant Australian innovations of the 20th century.

QUALITY ASSURANCE

Scantech has developed and implemented a Quality Management System thereby assuring its customers of quality, safety and reliability. Scantech maintains a Certificate of Approval for ISO Quality Assurance Standard AS/NZS ISO 9001:2008 from the Bureau Veritas Certification (BVC).



SCANTECH PRODUCTS AND APPLICATIONS

MINERALS	
GEOSCAN-M real time elemental analyser	<ul style="list-style-type: none"> • A range of industries including iron, copper, phosphate, nickel, manganese, bauxite and zinc-lead • Automated blending and sorting • Stockpile management • Mine feedback and treatment control • Product compliance monitoring
IRONSCAN and MINERALSCAN 1500 Neutral Gamma Minerals Monitor	<ul style="list-style-type: none"> • Dilution monitoring • Mine optimisation • Plant process control • Uranium ore grade monitoring • Bulk sorting through flow redirection
TBM Series CM 100 Moisture Analyser	<ul style="list-style-type: none"> • Moisture analysis • Moisture in conductive & magnetic materials

CEMENT	
GEOSCAN-C real time elemental analyser, with or without BLENDSCAN software	<ul style="list-style-type: none"> • Quarry feedback and control • Limestone sorting & blending • Stockpile building • Raw mix proportioning

COAL, STEEL	
COALSCAN real time coal quality analysers: COALSCAN 9500X, 2100 & 1500 TBM Series, CM 100	<ul style="list-style-type: none"> • Automated blending • Sorting • Washery optimisation • Loadout quality control • Moisture

POWER	
COALSCAN real time coal quality analysers: COALSCAN 9500X, 2100 & 1500 TBM Series, CM 100	<ul style="list-style-type: none"> • Stockpile management • Contract surveillance • Automated blending • Bunker-feed monitoring • Moisture, ash, elemental (eg Sulphur) • Mine and wash plant control
CIFA 350	<ul style="list-style-type: none"> • Carbon in fly ash monitoring

MOISTURE	
TBM Series Microwave Moisture Analysers	<ul style="list-style-type: none"> • Moisture analysis • Dust management • Filter and dryer control • Tonnage correction • Metal accounting
CM 100 Moisture Analyser	<ul style="list-style-type: none"> • Moisture monitoring of coke and sinter feed for blast furnaces
ReadiMoist™	<ul style="list-style-type: none"> • Moisture monitoring in hoppers • Cement and moisture control • Batch plant control



SCANTECH PRODUCTS - ENVIRONMENTAL BENEFITS

Scantech's products are well known around the world for the financial benefits they provide to producers, and users, of coal, and other minerals. However, it is not so widely known that significant environmental benefits are also achieved.

✓	Reduced Greenhouse Gas Emissions	✓	Enhanced Consistency of Quality Product
✓	Reduced Sulphur Emissions	✓	Reduced Energy Consumption
✓	Reduced "Acid" Rain	✓	Increased Life of Kilns
✓	Reduced "Unburnt" Carbon	✓	Improved Process Control
✓	Reduced Raw Material Consumption	✓	Extended Life of Mineral Deposits
✓	Reduced Shipping Costs	✓	Reduced Waste

COAL

The world coal consumption is approximately 6,000 million tonnes per year, producing about 12,000 million tonnes of carbon dioxide which is released to the atmosphere. Therefore, even a relatively small improvement in the efficiency of coal-fired power stations can result in a significant reduction in greenhouse gas emissions.

Scantech's Coalscan analysers allow coal mining to be carried out more efficiently with more saleable product for a given amount of mining activity. This reduces both the cost and environmental impact of coal production. The ability to sort and blend coal allows more coal to be sold without the need for washing. Coal washing is an energy intensive process, so reduction in the tonnes of coal washed results in energy and cost savings.

Blending using coal analysers achieves a more consistent coal quality which can improve the efficiency of coal burning in power stations. Also, power stations which have analysers can detect variations in the quality of coal before it is burnt which allows the poor quality coal to be diverted or the boiler setting adjusted to handle the change in quality.

Scantech's ability to measure sulphur on line allows companies to meet the compliance conditions for low sulphur coal. Control of sulphur emissions is important in reducing acid rain which is caused in part by emissions of sulphur dioxide.

Scantech also has a product, the CIFA 350, which determines the unburnt carbon in fly ash produced by coal-fired power stations. Real time measurement of unburnt carbon allows improvement in boiler efficiency by better control. If the carbon is controlled to a low enough level the fly ash can be used as feed material for cement making rather than being discarded as waste.

CEMENT

The worldwide production of cement is approximately 1,000 million tonnes. This requires a similar quantity of limestone and minerals as well as a large amount of energy in the form of coal, oil and gas. Approximately 5% of the world's greenhouse gas emissions come from the cement industry.

Cement plants are usually located close to a limestone quarry. Corrective materials such as sand, shale, clay, bauxite and iron ore may also be required and these are typically shipped to the cement plant from other locations. Scantech's Geoscan analyser allows very efficient blending of these materials to provide raw mix of the correct composition for the cement-making process. In most quarries the quality of limestone is highly variable. The analyser allows these variations to be tracked and enables more efficient use of the locally available materials. This reduces the high financial and environmental costs of shipping corrective materials from outside sources. The more efficient use of local materials reduces waste and allows more cement to be produced from a given amount of quarry activity.

Scantech's Geoscans allow more consistent raw mix to be delivered to the cement-making process, reduce energy consumption, increase the life of the kiln and yield better cement quality. This produces both financial as well as environmental benefits.

MINERALS

Similar environmental benefits to those described above can be achieved by use of analysers in the minerals industries. There is a wide range of mineral types and methods for mineral processing. However as a general rule the information provided by Scantech's Geoscan analysers can provide better process control with the benefits of reduced cost, reduced energy consumption and more efficient use of the mineral resource.

Scantech installed its first Geoscan in the iron ore industry in 2003, and has since supplied many more worldwide to the iron ore, iron sinter, manganese ore, lead-zinc, copper, phosphate and bauxite industries.

BOARD OF DIRECTORS

P D Pedler **LLB (Hons) (Adel)**

Chairman of the Board

Peter Pedler is a partner of leading Adelaide law firm Duncan Basheer Hannon. He practices in the fields of commercial and property transactions and advises on due diligence and Corporate Governance issues. He also advises on Corporations Act and ASX compliance. He advises a range of public and proprietary companies.

Peter graduated with honours in 1980 and was admitted as a legal practitioner in February 1981. He is involved in a number of church and community organisations.

He was appointed to the Scantech Board on 12 August 2003.



D J Lindeberg **B.Bus, FCA**

Managing Director
Executive Director

David Lindeberg is a Fellow of the Institute of Chartered Accountants in Australia and joined Scantech in December 1998 as Chief Financial Officer and Company Secretary. He has had experience in accounting worldwide, working for international accounting firms from 1974 to 1989 in London, Johannesburg, Sydney and Adelaide. David also spent five years working for the South Australian Government.

David joined the Board of Scantech on 20 January 2000, as an Executive Director and was appointed Managing Director on 2 March 2001.



L C Brett **BSc, FIAA, FIA (London)**

Non - Executive Director

Laurance Brett is a principal of the Adelaide consulting actuarial firm, Brett & Watson Pty Ltd. He has worked as an actuary in Adelaide since 1983 and commenced his own consulting actuarial firm in 1993.

Laurance advises large superannuation funds, companies and a number of government departments on a range of actuarial and financial matters.

He was appointed to the Scantech Board on 1 September 2005.



The Hon. D C Brown AO **M.Rur.Sc, Fellow Dip. Bus. Admin., FAICD**

Non - Executive Director

Dean Brown was Chairman of Hillgrove Resources Limited (retired on 31 May 2017) which operates a copper mine at Kanmantoo in the eastern Adelaide Hills. Dean, who was South Australia's Premier for three years from 1993, retired as Member for Finnis and as a Parliamentarian in 2006 after 27 years in Parliament. He has been a Non Executive Director of Mission Australia since November 2012.

Dean is involved in a wide range of community organisations and, also undertakes corporate advisory work on innovation, government relations and community engagement for a number of companies. He is a Board member of Foodbank SA, and Chairman of the Playford Memorial Trust, and Chairman of Skill IQ, which is a vocational skills development company funded by the Federal Government to develop training packages for about half of Australia's work force.

He was appointed to the Scantech Board on 29 June 2007.



STATUTORY REPORT OF THE DIRECTORS

Your Directors present the consolidated accounts for the financial year ended 30 June 2017.

DIRECTORS

The following persons held office as Directors of Scantech Limited for the entire period and at the date of this report:

- Peter Pedler - Chairman
- David Lindeberg - Managing Director
- Laurance Brett - Non Executive Director
- Dean Brown - Non Executive Director

Details of qualifications, experience and responsibilities of Directors are set out on Page 6 of the Annual Report.

The number of meetings of the Company's Directors held during the year ended 30 June 2017 and the number of meetings attended by each Director was:

Name of Director	Full Directors Meetings	
	Held whilst a Director	Attended
Peter Pedler	5	5
David Lindeberg	5	5
Laurance Brett	5	5
Dean Brown	5	5

COMPANY SECRETARY

The following person held the position of Company Secretary for the entire period and at the date of this financial report:

Ms Valerie D Steer – Business Certificate (Accounting), Advanced Certificate (Industrial Relations) and Affiliate Member of Governance Institute of Australia. Ms Steer has worked for Scantech for the past 16 years and is currently performing the role of Chief Financial Officer. Ms Steer was appointed Company Secretary on 15 October 2001.

PRINCIPAL ACTIVITIES

The principal continuing activities during the year of the Consolidated Entity constituted by Scantech Limited and the entities it controlled from time to time during the year consisted of:

- manufacture and marketing of scientific and industrial instruments
- consulting to the coal, cement and minerals industries and in-field support of scientific and industrial instruments

REVIEW OF OPERATIONS

The Company recorded an audited profit before tax for the year of \$132,699 compared to \$23,385 for the same period last year.

A tax benefit of \$11,682 brings the audited profit after tax for the year ended 30 June 2017 to \$144,381 compared to \$135,065 for the same period last year. This profit includes a loss of \$50,903 for exchange variants made up of \$7,434 of realised exchange loss and \$43,469 of unrealised exchange loss.

The reduction in capital expenditure by Scantech's customers in the coal, cement and minerals industries was still evident in 2017 with sales for the year being \$12,955,004, a decrease of 1% over last year (2016: \$13,116,472).

Service revenue continued to please at \$7,658,185 for the year, an increase of 3% over the service revenue in 2016. The Company expects service revenue to continue to grow.

Due to a selective share buy-back conducted, shareholders funds decreased in 2017 to \$11,232,843 a decrease of 5% over the previous year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 6 March 2017 the Company announced that it would conduct a selective buy-back at \$0.65 per share opening on 10 March 2017. The shareholders approved the selective buy-back at a General Meeting on 4 May 2017. As at 2 June 2017 1,089,792 shares were purchased back by the company at a total value of \$708,365 and the shares were cancelled.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matters or circumstances not already mentioned in this report have arisen since the end of the financial year, which have significantly affected or may significantly affect:

- The operations of the consolidated entity
- The results of those operations
- The state of affairs of the consolidated entity in the financial years subsequent to the financial year ended 30 June 2017

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named, Page 7) and all Officers of the Company and of any related body corporate, against a liability incurred by such a Director, or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability incurred by such an officer or auditor.

ENVIRONMENTAL ISSUES

The Company recognises the importance of sound environmental practice. It encourages environmental awareness by all of its employees and contractors with the objective of achieving standards of management, which, as a minimum, comply with existing Government legislation and regulations. There were no known breaches of environmental obligations during the year.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services as set out below, did not compromise the audit independence requirement of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principle relating to auditor independence as set out in the Professional Standard APES110, including reviewing or auditing auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk or reward.

Details of the amounts paid or payable to the auditors (BDO) for audit and non-audit services provided during the year are set out in Note 5 of the Financial Statements.

DECLARATION OF INDEPENDENCE

Section 307C of the Corporations Act 2001 requires our auditors (BDO), to provide the Directors of the Company with a Declaration of Independence in relation to the review of the full year financial statements. This Declaration of Independence appears on Page 9 and forms part of this Statutory Report of the Directors.

LIKELY DEVELOPMENTS

Likely developments in the operation of the consolidated entity and the expected results from those operations have not been included in this report. The inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

Signed this 25 day of August 2017 in accordance with a resolution of the Directors.



P. Pedler
Chairman



D. Lindeberg
Managing Director



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Fax: +61 8 7324 6111
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BDO Centre
Level 7, 420 King William Street
Adelaide SA 5000
GPO Box 2018 Adelaide SA 5001
Australia

**DECLARATION OF INDEPENDENCE
BY PAUL GOSNOLD
TO THE DIRECTORS OF SCANTECH LIMITED**

As lead auditor of Scantech Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Scantech Limited and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'Paul Gosnold'.

Paul Gosnold
Director

BDO Audit (SA) Pty Ltd

Adelaide, 25 August 2017

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity	
		2017 \$	2016 \$
Revenue	3	12,955,004	13,116,472
Cost of Sales		(6,239,076)	(6,133,156)
Gross Profit		6,715,928	6,983,316
Loss on Sale of Property, Plant and Equipment		(2,113)	0
Other Income	3	124,679	123,418
Manufacturing Expenses		(779,654)	(810,589)
Engineering and Scientific Expenses		(2,205,360)	(2,299,941)
Marketing Expenses		(1,781,020)	(2,050,192)
Administration Expenses		(1,841,924)	(1,809,922)
Borrowing Costs		(97,837)	(112,705)
Profit before Income Tax		132,699	23,385
Income Tax Benefit	6	11,682	111,680
Profit after Income Tax Attributable to Owners of the Parent Entity		144,381	135,065
Other Comprehensive Income for the period			
Gain on revaluation of investment shares (net of \$22,719 deferred tax)		53,012	0
Loss on revaluation of Land (Net of \$15,000 deferred tax)		(35,000)	0
Total Comprehensive Income attributable to Owners of the Parent Entity		162,393	135,065

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Consolidated Entity	
		2017	2016
		\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents	26	2,064,471	2,079,719
Trade and Other Receivables	9	2,338,059	3,082,100
Current Tax Asset		11,440	282,797
Inventories	10	3,056,539	3,055,175
Amount due from Customers	11	1,831,318	2,747,401
Financial Assets	12	2,202,739	2,409,510
TOTAL CURRENT ASSETS		11,504,566	13,656,702
NON-CURRENT ASSETS			
Financial Assets	12	1,860,242	1,000
Property, Plant and Equipment	13	3,227,680	3,233,854
Patents, Trademarks and Licences	14	769,228	826,043
Product Development	15	1,716,045	1,716,045
Deferred Tax Asset	7	247,148	193,466
TOTAL NON-CURRENT ASSETS		7,820,343	5,970,408
TOTAL ASSETS		19,324,909	19,627,110
CURRENT LIABILITIES			
Trade and Other Payables	16	3,528,215	3,618,414
Amount due to Customers	11	1,071,718	865,148
Other Provisions	19	545,819	486,949
TOTAL CURRENT LIABILITIES		5,145,752	4,970,511
NON-CURRENT LIABILITIES			
Financial Liabilities	17	2,000,000	2,000,000
Other Provisions	19	91,129	28,434
Deferred Tax Liability	7	855,185	849,350
TOTAL NON-CURRENT LIABILITIES		2,946,314	2,877,784
TOTAL LIABILITIES		8,092,066	7,848,295
NET ASSETS		11,232,843	11,778,815
EQUITY			
Contributed Equity	20	4,762,020	5,470,385
Reserves	21	537,503	519,491
Retained Earnings		5,933,320	5,788,939
TOTAL EQUITY		11,232,843	11,778,815

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Ordinary Share Capital	Retained Earnings/ (Accumulated Losses)	Premium on Consolidation	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$
<u>Consolidated Entity</u> <u>Balance as at 1 July 2015</u>	7,125,759	5,653,874	13,139	506,352	13,299,124
Profit for the Period	0	135,065	0	0	135,065
Share buy-back during the reporting period	(1,655,374)	0	0	0	(1,655,374)
<u>Consolidated Entity</u> <u>Balance as at 30 June 2016</u>	5,470,385	5,788,939	13,139	506,352	11,778,815
<u>Consolidated Entity</u> <u>Balance as at 1 July 2016</u>	5,470,385	5,788,939	13,139	506,352	11,778,815
Profit for the Period	0	144,381	0	0	144,381
Selective Share buy-back during the reporting period	(708,365)	0	0	0	(708,365)
Other comprehensive income	0	0	0	18,012	18,012
<u>Consolidated Entity</u> <u>Balance as at 30 June 2017</u>	4,762,020	5,933,320	13,139	524,364	11,232,843

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity	
		2017 \$	2016 \$
<u>Cash flows from operating activities:</u>			
Receipts from Customers		14,877,008	10,657,439
Payments to Suppliers and Employees		(12,663,887)	(11,867,091)
Dividends Received		47,449	0
Interest Received		62,744	119,181
Interest Paid		(97,837)	(112,705)
Income Taxes (Paid) / Received		227,473	(13,469)
Sundry Income		7,890	9,122
Net cash provided by / (used in) operating activities	26(ii)	2,460,840	(1,207,523)
<u>Cash flows from investing activities:</u>			
Payments for Property, Plant and Equipment		(199,901)	(49,154)
Receipts from Sales of Property, Plant and Equipment		26,364	0
Payments for Patents, Trademarks and Licences		(17,446)	(57,769)
Payments for Investment Shares		(1,783,511)	0
Net Receipts from movements in Financial Assets		206,771	1,781,744
Net cash provided by / (used in) investing activities		(1,767,723)	1,674,821
<u>Cash flows from financing activities:</u>			
Share buy-back		(708,365)	(1,655,374)
Net cash used in financing activities		(708,365)	(1,655,374)
Net decrease in cash held		(15,248)	(1,188,076)
Cash at the beginning of the financial year		2,079,719	3,267,795
Cash at the end of the financial year	26(i)	2,064,471	2,079,719
<u>Reconciliation of Cash:</u>			
For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank.			
Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:			
Cash and Cash Equivalents		2,064,471	2,079,719

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

1 INTRODUCTION

Scantech Limited is a public company limited by shares, incorporated and domiciled in Australia and is the parent entity of Scantech Limited Group of companies. This financial report is prepared for the period of 1 July 2016 to 30 June 2017 and was authorised for issue in accordance with a resolution of the Directors on the 25 August 2017.

(a) REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

143 Mooringe Avenue, Camden Park, South Australia 5038.

(b) CURRENCY

The financial statements are presented in Australian dollars and rounded to the nearest dollar.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general-purpose financial statements which have been prepared in accordance with the requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(a) BASIS OF ACCOUNTING

The financial statements have been prepared on the historical cost basis and do not take into account changing money values or, except where stated, current valuations of non-current assets. The Group assesses whether there is any indication that the carrying values of its assets may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. If the result shows that the carrying amount of an asset exceeds its recoverable amount of the asset, impairment exists and the asset is written down to its recoverable amount.

The accounting policies that have been consistently applied by the entities in the Group are consistent with those of the previous year.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the consolidated entity include the financial statements of Scantech Limited, being the Parent Entity, and its subsidiaries. Subsidiaries are entities (including structured entities) over which the Group has control. The Group has control over an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The balances and effects of transactions, between subsidiaries included in the consolidated financial statements have been eliminated. Non-controlling interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

(c) ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Contract Revenue Percentage Completion:

At the end of each quarter management assesses the percentage of completion for all current contract jobs, and revenue is recognised by the Group based on the stage of completion of each of the projects. Any expected loss on construction contracts are recognised as an expense immediately in profit or loss.

Impairment of Product Development Costs:

Determining whether Product Development costs are impaired requires an estimation of the value in use of the cash generating units to which Product Development costs have been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of Product Development costs at 30 June 2017 was \$1,716,045 (30 June 2016: \$1,716,045).

In the Directors' judgement, Product Development costs have an indefinite life and so have not been amortised but tested for impairment each reporting period. Refer Note 2(q) and Note 15 for further details.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

(d) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB). These new and revised Standards and Interpretations have not affected the reporting results or financial position.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period 30 June 2017. These are outlined in the table below:

Reference	Title	Summary	Impact on Group Financial Report	Application Date for Group
AASB 9	Financial Instruments	This amendment addresses the classification, measurement, and derecognition of financial assets and liabilities.	The amendments are expected to have no or minimal impact on the Group's treatment of its financial assets and liabilities in the financial report.	1-Jul-18
AASB 15 / IFRS 15	Revenue from Contracts with Customers	The standard provides a single standard for revenue recognition based on when control of premised goods or services transfer to a customer.	The Group has not yet made a detailed assessment of the impact of this standard.	1-Jul-18
AASB 2016-3	Amendments to Australian Accounting Standards - Clarifications to AASB 15	Clarifies AASB 15 application issues relating to: <ul style="list-style-type: none">) Identifying performance obligations) Principal vs. agent considerations) Licensing) Practical expedients 	The Group has not yet made a detailed assessment of the impact of this standard.	1-Jul-18
AASB 16	Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases.	The amendments are expected to have no or minimal effect on the measurement and recognition of amounts in the Group's financial report.	1-Jul-19
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Tax Losses	This amendment clarifies issues with respect to recognising deferred tax assets (DTAs) for unrealised tax losses.	The amendments are expected to have no or minimal effect on the measurement and recognition of amounts in the Group's financial report.	1-Jul-17
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions	This amendment clarifies three issues with respect to classification and measurement of share-based payment transactions <ul style="list-style-type: none">) Vesting and non-vesting conditions) Net settlement feature for withholding tax obligations) Changing classifications from cash-settled to equity-settled 	The amendments are expected to have no or minimal effect on the measurement and recognition of amounts in the Group's financial report.	1-Jul-18

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

(d) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

Reference	Title	Summary	Impact on Group Financial Report	Application Date for Group
Interpretation 22	Foreign Currency Transactions and Advance Consideration	The interpretation clarifies that the related asset, expense or income is recognised using the exchange rate on the date that the non-monetary asset (prepayment) or non-monetary liability (deferred income) is initially recognised.	The amendments are expected to have no or minimal effect on the measurement and recognition of amounts in the Group's financial report.	1-Jul-18
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	The amendments clarify the principle that an entity can only transfer a property to, or from, investment property when there is a change in use of the property, supported by evidence that a change in use has occurred.	The amendments are expected to have no or minimal effect on the measurement and recognition of amounts in the Group's financial report.	1-Jul-18
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure initiative: - Amendments to AASB 107	Requires additional disclosures to enable users to evaluate changes in liabilities arising from financing activities, including both cash flow and non-cash flow changes.	These amendments affect presentation and disclosures only. Additional disclosures will be required for the first time during the year ended 30 June 2018 and comparatives will not be required in the first year.	1-Jul-17
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	Where an interest in a subsidiary, joint venture or associate is classified as held for sale (or part of a disposal group classified as held for sale), these amendments clarify that the standard setters did not intend to exempt all disclosures in AASB 12 Disclosure of Interests in Other Entities.	The amendments are expected to have no or minimal effect on the measurement and recognition of amounts in the Group's financial report.	1-Jul-17

(e) REVENUE RECOGNITIONProduct Revenue:

Product revenue comprises of revenue earned (net of returns, discounts and allowances) from the provision of products to entities outside the Group. Product revenue is recognised using the percentage completion method.

Service Revenue:

Service revenue comprises of revenue earned (net of returns, discounts and allowances) from goods or services provided to entities outside the Group. Service revenue is recognised when the goods and services are provided.

Interest Income:

Interest income is recognised as it is accrued using the effective interest method.

(f) CASH AND CASH EQUIVALENTS

For Cash Flow Statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) TRADE RECEIVABLES

Trade receivables which generally have 30 days terms represent the principle amount owing at the end of the reporting period.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off to profit or loss when identified.

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

(h) FOREIGN CURRENCY

Transactions:

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the end of the reporting period are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts receivable and payable in foreign currencies, and the transactions in foreign currency term deposit are brought to account as exchange gains or losses in profit or loss in the financial year in which the exchange rates change.

Transaction of Controlled Foreign Entities:

At the end of the reporting period, there are no assets and liabilities in overseas subsidiaries.

(i) TAXATION

Income Tax:

The income tax (expense) / benefit for the year comprises of current income tax (expense) / benefit and deferred tax (expense) / benefit.

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax (expense) / benefit reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax (expense) / benefit is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists. The deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation:

Scantech Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities / (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated Group to apply from 1 July 2003.

The tax consolidated Group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

(j) IMPAIRMENT OF ASSETS

At the end of each reporting period or more frequently if events or changes in circumstances indicate they might be impaired, the Group reviews the carrying values of tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss. Impairment testing is performed annually for intangible assets with indefinite lives.

(k) INVESTMENTS IN SUBSIDIARIES

Subsidiaries:

Investments in subsidiaries are carried in the Company's accounts at the lower of cost and recoverable amount. Dividends and distributions are brought to account in profit or loss when proposed by the subsidiaries.

(l) INVENTORIES

Manufacturing Activities:

Raw materials and stores represent inventory items stated at cost price. Work in Progress represents analysers under construction for which there is no specific customer contract at the end of the reporting period. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each particular class of inventory. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(m) CONTRACTS IN PROGRESS

Where the outcome of a contract for the construction of an analyser can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

"Amounts due from customers" is recognised as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. A liability for "Amounts due to customers" is recognised for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(n) PROPERTY, PLANT AND EQUIPMENT

Acquisition:

Plant and equipment is recorded at cost and depreciated as outlined below. All other items of property, plant and equipment are carried at the lower of cost, less accumulated depreciation, and recoverable amount.

Property, plant and equipment are subject to an impairment test when there is an indication that impairment exists by reference to internal and external market factors. Any item of property, plant and equipment, which is impaired, is written down to its recoverable amount. The amount of the impairment write-down for assets carried at cost is expensed through profit or loss.

Recoverable amounts are determined for individual assets, unless the value in use cannot be estimated independently from other assets. In such case, the recoverable amount is determined for the cash-generating Group of assets to which it belongs.

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

(n) PROPERTY, PLANT AND EQUIPMENT (CONT'D)Revaluations of Land and Buildings:

Land and buildings are measured at fair value, based on periodic valuations by external independent valuers who apply the market approach using recent observable market data for similar properties, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation. At the end of each reporting period the Directors re-assess the fair value of the land and buildings and the carrying value is adjusted accordingly.

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

Upon disposal or derecognition, any revaluation reserve to the particular asset being sold is transferred to retained earnings.

Depreciation and Amortisation:

Property, plant and equipment are depreciated over their useful life (3 to 15 years) using the straight line method except motor vehicles which are depreciated using the diminishing value method. The buildings are depreciated using the straight line method over 40 years.

Derecognition:

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use.

(o) LEASES

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(p) INTANGIBLESPatents, Trademarks and Licences:

Measured initially at cost less accumulated amortisation and any impairment losses.

Patents, Trademarks and Licences are amortised on a straight line basis over the lesser of 20 years or life of the patent, trademarks or licences.

(q) PRODUCT DEVELOPMENT COSTS

No development costs have been capitalised in the current year.

No research costs are carried forward.

Capitalised Product Development costs represent the development of the new Mark IV Geoscan utilising universal hardware and electronics for use in the majority of Scantech's current products net of AusIndustry funding from prior years.

(r) TRADE AND OTHER PAYABLES

Accounts payable represent the principle amount outstanding at the end of the reporting period plus, where applicable any accrued interest.

(s) BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready its intended use or sale. In this case borrowing costs are capitalised as part of the cost of the asset.

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

(t) PROVISIONSShort-term Employee Benefits:

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other Long-term Employee Benefits:

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(u) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(v) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at the end of the reporting period.

(w) FINANCIAL INSTRUMENTSRecognition and Initial Measurement:

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition:

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement:**(i) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

(w) FINANCIAL INSTRUMENTS (CONT'D)**(iv) Available-for-sale Assets**

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Impairment:

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

	Consolidated Entity	
	2017	2016
	\$	\$
3 REVENUE AND OTHER INCOME / (EXPENSE)		
<u>Included in profit or loss are the following revenue and other income items:</u>		
Products Revenue	5,296,819	5,701,475
Services Revenue	7,658,185	7,414,997
Total Revenue	12,955,004	13,116,472
Sundry Income	7,890	9,122
Interest Received	69,340	114,296
Franked Dividend Income	47,449	0
Total Other Income	124,679	123,418
4 EXPENSES		
<u>Included in the Profit before Income Tax are the following expenses:</u>		
Net Foreign Exchange Gain / (Loss)	(50,903)	6,512
Operating Lease Rental Costs	121,300	131,963
Research and Development Costs	344,272	879,085
Depreciation of Property, Plant and Equipment	127,598	76,437
Amortisation of Patents, Trademarks and Licences	74,261	64,049
Total Depreciation and Amortisation	201,859	140,486
Wages and Salaries	3,233,379	3,065,712
Superannuation	300,198	296,819
Other Employee Benefits Expenses	536,663	1,314,825
Total Employee Benefits Expenses	4,070,240	4,677,356
5 AUDITORS' REMUNERATION		
<u>Amounts received or due and receivable for audit and review of financial reports:</u>		
– Auditors of the Parent Entity – BDO	72,775	70,841
<u>Amounts received or due and receivable for other services of auditor of parent entity by:</u>		
– Taxation services – BDO	18,132	22,243
Total Auditor's Remuneration	90,907	93,084

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity	
	2017 \$	2016 \$
6 INCOME TAX BENEFIT / (EXPENSE)		
<u>The components of Income Tax Benefit / (Expense) comprise:</u>		
Current tax	(43,885)	87,962
Deferred tax	55,567	23,718
	11,682	111,680
Accounting Profit before Income Tax	132,699	23,385
Tax at 30%	(39,810)	(7,015)
Non Deductible Permanent Differences	(9,219)	(277,115)
Other Temporary Differences not Previously Recognised	0	222
Impact of fully franked dividends	14,235	0
Impact of R&D Tax Incentive	46,476	395,588
Income Tax Benefit	11,682	111,680
7 RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
Deferred income tax as at 30 June 2017 relates to the following:		
<u>Deferred Tax Liabilities:</u>		
Other Debtors and Prepayments	0	1,475
Land and Buildings	223,980	231,598
Patents, Trademarks and Licences	93,672	101,463
Investment in Shares	22,719	0
Product Development	514,814	514,814
	855,185	849,350
<u>Deferred Tax Assets:</u>		
Contracts in Progress	4,977	4,491
Plant and Equipment	26,719	14,341
Other Payables and Accruals	12,176	10,649
Provisions	191,084	154,615
Other Assets	12,192	9,370
	247,148	193,466
8 DIVIDENDS		
<u>Dividends provided for or paid by the Parent Entity are:</u>		
(i) No final dividend was paid	0	0
(ii) No interim dividend was paid	0	0
(iii) No final dividend is recommended by the Directors	0	0
<u>Dividend Franking Account:</u>		
Retained profits and reserves that could be distributed as franked dividends using franking credits already in existence or which will arise from income tax payments and in the following period, and after deducting franking credits to be used in payment of the above dividends, franked at 30% (2016: 30%)	4,776,718	4,647,629

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity	
	2017	2016
	\$	\$
9 TRADE AND OTHER RECEIVABLES		
<u>Trade Accounts Receivable outstanding:</u>		
Current	1,332,330	2,633,476
1 – 30 days	129,082	4,228
31 – 60 days	109,046	27,568
61 – 90 days	24,543	0
Over 90 days	476,612	97,334
Total Trade Accounts Receivable	2,071,613	2,762,606
Other Debtors and Prepayments	266,446	319,494
	2,338,059	3,082,100
<p>The Group does not consider there is any change in the credit quality for the trade receivables under 30 days at the date of reporting. These receivables under 30 days are made up of existing customers or new customers where the Group has performed due diligence.</p> <p>Management has assessed all balances over 30 days, which are outside normal trading terms, as past due but not impaired as they are still considered to be receivable.</p> <p><u>Current Amounts Receivable in Foreign Currencies:</u> The Australian dollar equivalent of unhedged amounts receivable in foreign currencies, calculated at year end exchange rates, are as follows:</p>		
United States Dollars (USD)	932,515	1,536,139
Euro (EUR)	87,278	344,671
South African Rand (ZAR)	113,546	150,810
Canadian Dollars (CAD)	467,688	0
	1,601,027	2,031,620
10 INVENTORIES		
<u>Current:</u>		
Raw Materials and Stores at cost	894,977	1,021,291
Work in Progress	2,161,562	2,033,884
	3,056,539	3,055,175
11 CONTRACTS IN PROGRESS		
Cost Incurred plus Profit to Date	19,177,313	20,023,388
Less Billings	(18,417,713)	(18,141,135)
Net Amount	759,600	1,882,253
<u>Represented By:</u>		
Amounts due from Customers (Asset)	1,831,318	2,747,401
Amounts due to Customers (Liability)	(1,071,718)	(865,148)
Contracts in Progress (Net Amount)	759,600	1,882,253
12 FINANCIAL ASSETS		
<u>Current:</u>		
Amounts on Deposit at Banks	2,202,739	2,409,510
<u>Non-Current:</u>		
Shares - Other Corporations (at cost)	1,000	1,000
Shares – Australian Listed Entities	1,859,242	0
	1,860,242	1,000

Shares held for the purpose of long-term profit taking. Changes in fair value are included in the statement of comprehensive income.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity	
	2017 \$	2016 \$
12 FINANCIAL ASSETS (CONT'D)		
<u>Current Term Deposit Amounts in Foreign Currencies:</u>		
The Australian dollar equivalent of unhedged amounts in term deposit in foreign currencies, calculated at year end exchange rates, are as follows:		
Euro (EUR)	63,386	63,422
13 PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment – at cost	641,745	626,001
Accumulated Depreciation	(354,065)	(409,647)
	287,680	216,354
Land and Buildings – at fair value	3,187,500	3,237,500
Accumulated Depreciation	(247,500)	(220,000)
	2,940,000	3,017,500
Total Property, Plant and Equipment	3,227,680	3,233,854
<u>Movement In Carrying Amounts:</u>		
Movement in the carrying amounts for each class of Property, Plant and Equipment between the beginning and the end of the current financial year.		
Plant and Equipment at cost at the beginning of the year	626,001	615,028
Additions	199,901	49,154
Disposals	(184,157)	(38,181)
Plant and Equipment at cost at the end of the year	641,745	626,001
Accumulated Depreciation at the beginning of the year	(409,647)	(398,891)
Depreciation Expense	(100,098)	(48,937)
Depreciation Expense write back	155,680	38,181
Accumulated Depreciation at the end of the year	(354,065)	(409,647)
Carrying Amount of Plant and Equipment at the end of the year	287,680	216,354
Land and Buildings at fair value at the beginning of the year	3,237,500	3,237,500
Revaluation Adjustment	(50,000)	0
Land and Buildings at fair value at the end of the year	3,187,500	3,237,500
Accumulated Depreciation at the beginning of the year	(220,000)	(192,500)
Depreciation Expense	(27,500)	(27,500)
Accumulated Depreciation at the end of the year	(247,500)	(220,000)
Carrying Amount of Land and Buildings at the end of the year	2,940,000	3,017,500
Total Property, Plant and Equipment at the end of the year	3,227,680	3,233,854
<u>Carrying amounts of the Land and Buildings if they were not re-valued and measured at cost less accumulated depreciation would be as follows:</u>		
Carrying Amount of Land & Buildings at the end of the year	2,266,640	2,294,140

The valuation of Land and Buildings at 141-145 Mooringe Avenue, Camden Park was conducted by a local independent valuer on the 27 June 2017, to determine the fair value of the Land and Buildings at 30 June 2017. The valuation was determined by reference to recent market transactions on arm's length terms. As a result of this valuation, the fair value of the land and buildings has been decreased showing a \$35,000 loss on comprehensive income net of tax and a reduction of \$15,000 in carrying amount of deferred tax liability.

Assets pledged as security:

Freehold Land and Buildings with a carrying amount of \$2,940,000 (2016: \$3,017,500) have been pledged to secure borrowings of the Group (refer to Note 17).

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity	
	2017	2016
	\$	\$
14 PATENTS, TRADEMARKS AND LICENCES		
Patents and Licences – at cost at the end of the year	1,694,850	1,687,312
Accumulated Amortisation at the end of the year	(925,622)	(861,269)
	769,228	826,043
<u>Movement In Carrying Amounts:</u>		
Patents and Licences at cost at the beginning of the year	1,687,312	1,629,543
Additions	17,446	57,769
Disposals	(9,908)	0
Patents and Licences at cost at the end of the year	1,694,850	1,687,312
Accumulated Amortisation at the beginning of the year	(861,269)	(797,220)
Amortisation Expense	(74,261)	(64,049)
Amortisation Expense Write Back	9,908	0
Accumulated Amortisation at the end of the year	(925,622)	(861,269)
Carrying Amount of Patents and Licences at the end of the year	769,228	826,043
15 PRODUCT DEVELOPMENT		
Development – at cost	1,716,045	1,716,045
<u>Movement in Carrying Amounts:</u>		
Product Development at cost at the beginning of the year	1,716,045	1,716,045
Carrying Amount of Product Development at the end of the year	1,716,045	1,716,045

The Directors have determined that these Product Development costs have an indefinite life and have not been amortised but tested for impairment each reporting period. This assessment is based on the technology being expected to be used on an ongoing basis in future product applications for an indefinite period. There is strong demand for the products and Scantech holds patents, trademarks and licences over the current technology developed.

Impairment Testing:

The operations of the Group are considered a single cash-generating unit for the purpose of allocation of Product Development costs.

The recoverable amount of the consolidated entity's Product Development costs has been determined by a value-in-use calculation using a discount cash flow model, based on a 5 year projection period approved by management, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units are most sensitive. The following key assumptions were used in the discounted cash flow model:

- a. 13% (2016: 13%) pre-tax discount rate;
- b. 2% (2016: 2%) per annum for 5 years, 0% per annum thereafter, projected revenue growth rate for net operating cash flows.

The discount rate of 13% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the risk free rate and the volatility of the share price relative to market movements.

The 2% per annum projected growth rate for net operating cash flows was based on management's view of a reasonable average long term growth rate in the context of the global financial situation and the associated volatility of net operating cash flow.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

15 PRODUCT DEVELOPMENT (CONT'D)Sensitivity:

As disclosed on Page 25, the Directors have made judgements and estimates in respect of impairment testing of Product Development costs. Should these judgements and estimates not occur, the resulting Product Development costs may vary in carrying amount. The sensitivities are as follows:

- a. The projected net operating cash flows would need to decrease to minus 9.00% before Product Development costs would need to be impaired, with all other assumptions remaining constant.
- b. The discount rate would be required to increase to 21% before Product Development costs would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of Product Development costs is based would not cause the cash-generating unit's carrying amount to exceed recoverable amount.

16 TRADE AND OTHER PAYABLESCurrent:

Trade Accounts Payable

Other Payables and Accruals

	Consolidated Entity	
	2017	2016
	\$	\$
Trade Accounts Payable	247,457	779,113
Other Payables and Accruals	3,280,758	2,839,301
	3,528,215	3,618,414
<u>Current Amounts Payable in Foreign Currencies:</u>		
The Australian dollar equivalent of unhedged amounts payable in foreign currencies, calculated at year end exchange rates, are as follows:		
United States Dollars (USD)	347,323	447,083
Euro (EUR)	139,398	271,073
South African Rand (ZAR)	1,129	6,421
	487,850	724,577
17 FINANCIAL LIABILITIES		
<u>Non-Current:</u>		
Bank Loans	2,000,000	2,000,000
	2,000,000	2,000,000

Summary of borrowing arrangements:

Bank loans are secured by a registered mortgage over the Group's freehold land and buildings (refer to Note 13), a registered mortgage debenture in the form of a Fixed and Floating Charge over assets and undertakings of the Scantech Properties Pty Ltd and Scantech International Pty Ltd, Deed of Cross Collateralisation given by Scantech Limited, Scantech Properties Pty Ltd and Scantech International Pty Ltd, and Unlimited Guarantees from Scantech Properties Pty Ltd and Scantech International Pty Ltd. The principal is repayable in full by March 2025.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated Entity	
		2017	2016
		\$	\$
18 FINANCING ARRANGEMENTS			
The Consolidated Entity had access to the following lines of credit:			
<u>Total facilities available at balance date:</u>			
Bank Loans		2,000,000	2,000,000
Bank Guarantee / Performance Guarantee		4,913,191	3,663,226
Forward Cover		20,000	20,000
		6,933,191	5,683,226
 <u>Facilities utilised at balance date:</u>			
Bank Loans		(2,000,000)	(2,000,000)
Bank Guarantee / Performance Guarantee		(969,103)	(791,686)
Forward Cover		0	0
		(2,969,103)	(2,791,686)
 <u>Facilities not utilised at balance date:</u>			
Bank Loans		0	0
Bank Guarantee / Performance Guarantee		3,944,088	2,871,540
Forward Cover		20,000	20,000
		3,964,088	2,891,540
19 PROVISIONS – OTHER			
<u>Current:</u>			
Employee Benefits		545,819	486,949
		545,819	486,949
 <u>Non-Current:</u>			
Employee Benefits		91,129	28,434
		91,129	28,434
20 CONTRIBUTED EQUITY			
<u>Issued and Paid Up Capital:</u>			
At the beginning of the reporting period		5,470,385	7,125,759
Share buy-back during the reporting period		(708,365)	(1,655,374)
At reporting date		4,762,020	5,470,385
		2017	2016
		Number of shares	Number of shares
<u>Ordinary Shares:</u>			
At the beginning of the reporting period		14,712,163	17,562,066
Share buy-back during the reporting period		(1,089,792)	(2,849,903)
At reporting date		13,622,371	14,712,163

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value. Ordinary shares carry one vote per share and the rights to dividends.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

20 CONTRIBUTED EQUITY (CONT'D)Capital Management:

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, share issues and share buy backs.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the consolidated Group's gearing ratio remains below 25%. The gearing ratios for the year ended 30 June 2017 and 30 June 2016 are detailed below.

	Consolidated Entity	
	2017	2016
	\$	\$
<u>Debts:</u>		
Trade & Other Payables	3,528,215	3,618,414
Financial Liabilities - Loans	2,000,000	2,000,000
Total Borrowings	<u>5,528,215</u>	<u>5,618,414</u>
Less Current Financial Assets	(2,202,739)	(2,409,510)
Less Cash and Cash Equivalents	(2,064,471)	(2,079,719)
Net Debt	<u>1,261,005</u>	<u>1,129,185</u>
Total Equity	<u>11,232,843</u>	<u>11,778,815</u>
Total Capital	<u>12,493,848</u>	<u>12,908,000</u>
Gearing Ratio	10%	9%
21 RESERVES		
Premium on Consolidation	13,139	13,139
Asset Revaluation Reserve	524,364	506,352
	<u>537,503</u>	<u>519,491</u>
The Asset Revaluation Reserve arises on the revaluation of land and shares in Australian Listed Entities at fair value. When revalued land and shares in Australian Listed Entities at fair value are sold, the portion of the Asset Revaluation Reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the Asset Revaluation Reserve will not be reclassified subsequently to profit or loss.		
22 CAPITAL AND LEASING COMMITMENTS		
The Group has no capital expenditure commitments at year end.		
<u>The Underwood, Queensland property lease is a non-cancellable lease with an option to extend. The lease was extended on 01/05/2017 for three years and is now due to expire 30/04/2020.</u>		
Payable – minimum lease payments		
- not later than 1 year	113,596	94,293
- between 1 year and 5 years	236,163	0
	<u>349,759</u>	<u>94,293</u>
<u>The operating lease for Xerox Photocopier is a non-cancellable lease with a four year term set to expire 24/02/2018.</u>		
Payable – minimum lease payments		
- not later than 1 year	1,760	2,640
- between 1 year and 5 years	0	1,760
	<u>1,760</u>	<u>4,400</u>

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

			Consolidated Entity	
			2017	2016
			\$	\$
22 CAPITAL AND LEASING COMMITMENTS (CONT'D)				
<u>The operation lease for IBC Network solution was a non-cancellable lease with a two year term that expired 30/04/2017.</u>				
Payable – minimum lease payments				
- not later than 1 year			0	13,636
- between 1 year and 5 years			0	0
			0	13,636
23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS				
The Group has a contingent liability of \$969,298 (2016: \$791,961) in relation to a Deed of Deposit and set off over Term Deposit funds lodged with the bank as cash cover for Bank Guarantee / Letter of Credit facilities.				
24 PARENT ENTITY INFORMATION				
<u>Information relating to Scantech Limited the Parent Entity:</u>				
Current Assets			5,720,867	8,176,411
Total Assets			7,588,504	8,184,806
Current Liabilities			(60,079)	(60,096)
Total Liabilities			(82,798)	(60,096)
Issued Capital			4,762,020	5,470,385
Asset Revaluation Reserve			53,012	0
Retained Earnings / (Losses)			2,690,674	2,654,325
Total Shareholders' Equity			7,505,706	8,124,710
Profit or Loss of the Parent Entity			36,349	0
Other Comprehensive Income for the period			53,012	0
Total Comprehensive Income of the Parent Entity			89,361	0
Contingent Liabilities of the Parent Entity:				
Guarantees entered into by the Parent Entity in relation to the Debts of its Subsidiaries			628,415	509,652
Bank loans are secured by an unlimited guarantee provided by the Parent Entity			2,000,000	2,000,000
Contractual Commitments by the Parent Entity for the Acquisition of Property, Plant and Equipment			0	0
25 SUBSIDIARIES				
<u>Name/Country of Incorporation:</u>			Book Value of Investment	
			2017	2016
			\$	\$
Coalscan Pty Ltd	Australia	100%	6,393	6,393
Scantech Applications Pty Ltd	Australia	100%	0	0
Mineral Control Instrumentation Pty Limited	Australia	100%	2	2
Scan Technologies Inc	Pennsylvania USA	100%	0	0
Scan Technologies Inc	West Virginia USA	100%	0	0
Scantech Services Pty Ltd	Australia	100%	0	0
Scantech Properties Pty Ltd	Australia	100%	0	0
Scantech International Pty Ltd	Australia	100%	1,000	1,000
			7,395	7,395
<u>Investment in Other Companies:</u>				
Saindo Trading Company Pty Ltd (1 trust unit)			1,000	1,000
			1,000	1,000

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity	
	2017	2016
	\$	\$
26 CASH FLOW INFORMATION		
i) Reconciliation of Cash:		
For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank.		
Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:		
Cash	2,064,471	2,079,719
ii) Reconciliation of cash flow from operations with profit after income tax:		
Profit after income tax	144,381	135,065
Add / (Less) non-cash items:		
Depreciation and Amortisation	201,859	140,486
Loss on Sale of Property, Plant and Equipment	2,113	0
Change in assets and liabilities:		
Reduction / (Increase) in trade & other receivables	744,041	(361,184)
Reduction / (Increase) in contract balances	1,122,653	(2,159,076)
Reduction / (Increase) in inventories	(1,364)	719,237
Reduction / (Increase) in deferred tax asset	(53,682)	(13,714)
Increase / (Reduction) in deferred tax liability	(1,884)	(10,004)
Increase / (Reduction) in trade & other creditors	(90,199)	425,827
Increase / (Reduction) in provision for employee entitlements	121,565	17,271
Increase / (Reduction) in income tax provision	271,357	(101,431)
Net cash provided by / (used in) operating activities	2,460,840	(1,207,523)
27 RELATED PARTY TRANSACTIONS		
Parent entity		
Scantech Limited is the parent entity.		
Subsidiaries		
Interests in subsidiaries are set out in Note 25.		
Compensation		
In aggregate compensation made to directors and the members of key management personnel of the consolidated entity is set out below:		
Key Management Personnel Compensation:		
The total payment of Key Management Personnel compensation comprised:		
Short-term employee benefits	841,820	1,291,417
Post-employee benefits	61,348	60,637
Termination benefits	0	0
Other long term benefits	2,116	(9,537)
	905,284	1,342,517

Mahshid Lindeberg, wife of Managing Director David Lindeberg, is employed by the Company as a Sales & Marketing Manager. Since 1 August 2011 she has been employed on a part time basis and her remuneration is paid on a similar basis to the other Sales & Marketing Managers. Her remuneration received or due to be received in 2017 was \$72,445 and 2016 was \$118,416.

During the financial year ended 30 June 2017, Scantech Limited incurred fees in relation to legal services of \$37,283 (2016: \$43,592) from Duncan Basheer Hannon the legal firm where Peter Pedler is a partner. These transactions were entered into under normal commercial terms and conditions and at market rates. The current trade payable balance owing to Duncan Basheer Hannon as at 30 June 2017 was \$1,936 (2016: \$968).

Loans:

Loans between Group entities are at call basis. No interest revenue and expenses are brought to account on these loans.

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

28 FINANCIAL INSTRUMENTS**a) Financial Risk Management:**

The Group's financial instruments consists mainly of deposits with banks, short-term investments shares in Australian listed entities, accounts receivable and payable and banking facilities.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk, credit risk and other price risk. Senior management, in conjunction with the Board, reviews and agrees on policies for managing each of these risks.

Financial Risks:

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Interest Rate Risk:

Both financial assets and liabilities are subject to floating interest rates. The Company manages its cash at bank and loan balances through a mixture of fixed and variable interest rates.

Foreign Currency Risk:

The Group is exposed to fluctuations in foreign currencies arising from the sales, purchase of goods and services and term deposits in currencies other than the Group's measurement currency, predominantly in EUR, ZAR, USD and CAD. Refer to Notes 9, 12 and 16 for further details.

The Group is continuously monitoring the foreign currency exchange exposure. The Group's policy for dealing with the foreign currency risk does not include forward cover. The Group has natural hedges with amounts on term deposit invested in foreign currency.

Other Price Risk:

The Group is also exposed to securities price risk on investments. Such risk is managed through diversification of investments across industries and geographical locations.

Liquidity Risk:

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Group manages its liquidity by forecasting liquidity reserves based on future cash flows and ensuring it has credit facilities available for immediate use should the need arise. Cash flow forecasts are reported to the Board monthly.

Credit Risk:

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in Notes 9, 11 and 18.

The Group tries to minimise credit risk by obtaining prepayments from major customers.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group. There are no significant concentrations of credit risk within the Group.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28 FINANCIAL INSTRUMENTS (CONT'D)(b) Financial Instruments:(i) Liquidity and Interest Rate Risk:

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

30 June 2017	Weighted Average Effective Interest Rate	Floating Interest Rate	Within Year	1 to 5 Years	Over 5 Years	Total
	%	\$	\$	\$	\$	\$
Financial Assets						
Trade and Other Receivables	0.00	0	2,338,059	0	0	2,338,059
Amounts due from customers	0.00	0	1,831,318	0	0	1,831,318
Cash and Cash Equivalents	0.17	2,064,471	0	0	0	2,064,471
Investments	2.38	0	2,168,129	0	0	2,168,129
Total Financial Assets		2,064,471	6,337,506	0	0	8,401,977
Financial Liabilities						
Trade and Other Payables	0.00	0	3,528,215	0	0	3,528,215
Amount due to customers	0.00	0	1,071,718	0	0	1,071,718
Loans	4.36	0	87,200	1,333,962	965,677	2,386,839
Total Financial Liabilities		0	4,687,133	1,333,962	965,677	6,986,772

30 June 2016	Weighted Average Effective Interest Rate	Floating Interest Rate	Within Year	1 to 5 Years	Over 5 Years	Total
	%	\$	\$	\$	\$	\$
Financial Assets						
Trade and Other Receivables	0.00	0	3,082,100	0	0	3,082,100
Amounts due from customers	0.00	0	2,747,401	0	0	2,747,401
Cash and Cash Equivalents	0.92	2,079,719	0	0	0	2,079,719
Investments	2.58	0	2,328,494	0	0	2,328,494
Total Financial Assets		2,079,719	8,157,995	0	0	10,237,714
Financial Liabilities						
Trade and Other Payables	0.00	0	3,618,414	0	0	3,618,414
Amount due to customers	0.00	0	865,148	0	0	865,148
Loans	4.48	0	89,600	1,065,861	1,696,127	2,851,588
Total Financial Liabilities		0	4,573,162	1,065,861	1,696,127	7,335,150

Refer Note 18 "Financing Arrangements" for details of bank facilities available.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28 FINANCIAL INSTRUMENTS (CONT'D)**(ii) Fair Values:**

Aggregate fair values and carrying amounts of financial assets and financial liabilities at reporting date. The fair value of non-current loans of \$2,000,000 approximates the carrying amount because the loan has a variable interest rate (level 3).

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents	2,064,471	2,064,471	2,079,719	2,079,719
Trade and Other Receivables	2,338,059	2,338,059	3,082,100	3,082,100
Amounts due from customers	1,831,318	1,831,318	2,747,401	2,747,401
Held to Maturity Investments	2,202,739	2,202,739	2,409,510	2,409,510
Shares – Australian Listed Entities	1,859,242	1,859,242	0	0
Financial Liabilities:				
Trade and Other Payables	(3,528,215)	(3,528,215)	(3,618,414)	(3,618,414)
Amounts due to customers	(1,071,718)	(1,071,718)	(865,148)	(865,148)
Loans	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Net Exposure	3,695,896	3,695,896	3,835,168	3,835,168

(iii) Sensitivity Analysis:

As at 30 June 2017, the effect on post tax profit and equity as a result of changes in the interest rate and foreign currency, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2017	2016
	\$	\$
Interest Rate:		
Increase in interest rate by 0.50%	11,336	12,446
Decrease in interest rate by 0.50%	(11,019)	(12,129)
Foreign Currency:		
Improvement in AUD to USD by 5%	(72,192)	(51,860)
Decline in AUD to USD by 5%	79,791	57,318
Improvement in AUD to EUR by 5%	(19,751)	(16,244)
Decline in AUD to EUR by 5%	21,829	17,953
Improvement in AUD to ZAR by 5%	(6,466)	(6,875)
Decline in AUD to ZAR by 5%	7,146	7,600
Improvement in AUD to CAD by 5%	(22,271)	0
Decline in AUD to CAD by 5%	24,615	0

29 FAIR VALUE MEASUREMENT

The only assets and liabilities recognised and measured at fair value on a recurring basis are land and buildings and shares in Australian Listed Entities.

Land and buildings are categorised according to the fair value hierarchy as Level 2 – inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly or indirectly.

The carrying amount of financial assets and financial liabilities approximate their fair value.

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- J Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities
- J Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value
- J Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

29 FAIR VALUE MEASUREMENT (CONT'D)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Recurring and Non-recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurement Are Categorised Below

Fair Value Measurements at 30 June 2017 Using:

	Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Observable Inputs Other than Level 1 Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
Description			
Recurring fair value measurements			
Investment in shares of - Australian Listed Entities	1,859,242	0	0
Land and Buildings	0	2,940,000	0
Non- Recurring fair value measurements	0	0	0

Fair Value Measurements at 30 June 2016 Using:

	Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Observable Inputs Other than Level 1 Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
Description			
Recurring fair value measurements			
Investment in shares of - Australian Listed Entities	0	0	0
Land and Buildings	0	3,017,500	0
Non- Recurring fair value measurements	0	0	0

There were no transfers between Level 1 and Level 2 Fair Values.

Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

Description	Fair Value at 30 June 2017 \$	Description of Valuation Techniques	Inputs Used
Land and Buildings	2,940,000	Sales price comparison	Sales prices of comparable land and buildings in a similar location are analysed on the bases of rate per square metre of gross lettable area.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

30 EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

**SCANTECH LIMITED PUBLIC COMPANY A.C.N. 007 954 627
AND ITS CONTROLLED ENTITIES****Directors' Declaration**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on Pages 10 to 34, are in accordance with the Corporations Act, 2001 and:
 - (a) Comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) Give a true and fair view of the financial position as at 30 June 2017 and performance for the year ended on that date of the Consolidated Group;
2. The Managing Director and Chief Financial Officer have each declared that:
 - (a) The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) The financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) The financial statements and notes for the financial year give a true and fair view;
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The financial report complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 2.

This declaration is made in accordance with a resolution of the Board of Directors.



Director
P. Pedler



Director
D. Lindeberg

Dated this 25 day of August 2017



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCANTECH LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scantech Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Scantech Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'Paul Gosnold'.

Paul Gosnold
Director

Adelaide, 25 August 2017